C E N T R A L I N T E L L I G E N C E A G E N C Y

OFFICE OF NATIONAL ESTIMATES

3 June 1971

MEMORANDUM FOR THE CONSULTANTS

SUBJECT: New Situations in South Asia*

1. The past year has seen major new developments in South Asia, and more are likely to come. The problems and issues in Ceylon, India, and Pakistan are in each case specific and unique. But in all three countries, these were either initiated or hastened by recent national elections, the results of which show some surprising similarities. In Ceylon in May 1970, in Pakistan in December 1970, and in India in March 1971, the voters gave very strong mandates for drastic shifts in the policies generally identified with their conservative ruling establishments. The results indicated

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* *South Asia is normally defined as the Indian subcontinent and its immediate peripheral areas. This paper deals with Ceylon, India, and Pakistan.*

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substantial public dissatisfaction with political, social and economic life. The major violence which has since occurred in two of these states indicates that this unrest is still growing.

Ceylon

2. In Ceylon, Mrs. Bandaranaike's Shri Lanka Freedom Party (SFLP) which had been in opposition for five years won by a major landslide; the losing United National Party's (UNP) parliamentary representation was almost wiped out. The UNP had followed conservative social and economic policies, had accepted and come to rely on substantial amounts of economic aid from the US and other Western powers. It showed absolutely no interest in drastically shaking up Ceylonese society, and based its strength on the support of prosperous farmers, businessmen and the like. Mrs. Bandaranaike is another matter. Running on an electoral coalition with Trotskyites and pro-Soviet Communists, she campaigned for sweeping socialist reforms and the destruction of economic privileges. Her demands for new welfare measures and official programs designed to bring about full employment fell on receptive ears.

3. But once in power, she found herself severely circumscribed; her first year in office has seen virtually none of her promised reforms put into effect. The reason is not hard to find -- the country can not afford it. The Ceylonese economy is a classic case of a once somewhat affluent underdeveloped one which has steadily lost ground because of deteriorating terms of trade. Small and devoid of natural resources, it must import virtually all its manufactured goods, paying for them with its exports of tea and rubber. Until about 1952, this worked very well; the Ceylonese got good prices for their products, were able to import all they needed, to enjoy a comprehensive system of social welfare projects, and still to build up substantial reserves of hard currency. The government guaranteed wide availability of cheap subsidized rice, extensive medical care facilities, and free education through the college level. But import bills have risen, export earnings have fallen. Thus Ceylon sells three times as much tea as it did 20 years ago, but earns only about as much in real terms.

4. Over time, the political and social consequences of this have become calamitous. The country remains one of the

truest democracies in all of Asia; even though it became ever more apparent that the country could no longer afford its welfare programs, the quickest way for a politician to lose an election was to state this obvious fact. And for many years Ceylon did eat its cake and have it too, by drawing down on its reserves and by using increasingly large chunks of foreign aid. In the meantime, the population doubled to over 12 million, the schools ground out larger and larger numbers of graduates for whom there was simply no hope of getting a job. Refusing to accept menial employment, unable to get a sinecure in the government -- the island's only major employer -- these disaffected intellectuals began to form a growing lumpen proletariat.

5. They voted overwhelmingly for Mrs. Bandaranaike. But the new Prime Minister found that her plans to nationalize the large, mostly British-owned tea and rubber estates -- the only sizable privately owned establishments on the island -- would lead to disaster. Unable and unwilling to pay for them, already quite dependent on the UK and the US for economic aid and food shipments, suddenly aware that socialization would probably mean that Ceylon's big customers would simply buy their tea and rubber from such eager competitors as India, Mrs. Bandaranaike

chose to make leftist speeches, while otherwise pretty much continuing her predecessor's policies.

6. Enter the "Che Guevarists". Stories of groups of young Ceylonese revolutionaries plotting to seize power began appearing as early as 1968. By 1970, the stories had become more frequent. The local press began reporting the arrests of these militants, of the discovery of arms caches and bomb factories; enough publicity was given to the self-styled Guevarists that Mrs. Bandaranaike's leftist colleagues felt impelled to denounce them as CIA agents. Yet they appeared to be a minor though interesting aspect of Ceylon's political scene, perhaps receiving some help and guidance from the newly arrived (Summer of 1970) North Korean Embassy.

7. The latter's role has still to be established -- indeed there remain great areas of ignorance about the Guevarist movement.* But it is not of minor importance. On 6 March, about

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a hundred terrorists attacked the US Embassy with home made bombs, doing considerable damage. In the next few weeks, sporadic acts of violence occurred but few thought things would get really worse. On 5 April, the Guevarists mounted heavy, coordinated attacks all over the island , and came very close to seizing power. Twenty-five police posts were hit and guns taken, roads were cut, power facilities damaged, towns seized. Their planning, discipline, coordination were thorough and impressive; they came very close to overwhelming the 12,000-man police force even though the masses did not come to their support. How many Guevarists were engaged in this operation remains open to dispute; official sources in the early panic-striken days of the revolt came out with estimates as high as 70,000. Our best guess is that they actually numbered 7-10,000 -- an impressive number for a clandestine insurgent force on a small, open island.

8. The insurgents are still fighting, and may continue to do so for a long time, though their initial momentum has clearly been lost. Several thousand have been captured and unknown numbers killed; some are still using guerrilla tactics while holed up in jungles; the remainder have probably quietly gone

home for the moment. They remain disconcertingly mysterious, however, as to leadership, organization, communications and the like. According to some fragmentary reports their leaders are most often working school teachers, with the rank and file jobless students and ex-students. All universities have been closed down at least temporarily because "all were involved". We know of no reason why they could not make another try later on. In any event a new and very strong force -- the revolutionary educated jobless or underemployed -- has asserted itself with skillful, coordinated revolutionary violence.

Pakistan

9. On this unhappy country, we note our SNIE 32-71 "Prospects for Pakistan" of April 12, 1971 and our Memorandum of May 28, 1971, stressing two points: (1) voters in both wings strongly registered their dissatisfaction with the status quo in December 1970, one on the basis of regional antagonism, the other on economic issues. The military regime is now giving satisfaction to neither; (2) there are limits to the effectiveness of the use of force in this area. The Pakistani army, with overwhelming superiority in firepower, cows

Bengalis wherever it goes, but is unable to get most of them to go back to work, effectively ending much if not most activity in the urban economic sector. Large sections of the cities have emptied, as the Bengali bureaucrats, mill hands, dock workers and so on have gone back to their native villages.

India

10. By far the largest, most diverse, and complex of the South Asian countries, India has seen some of the developments noted in its neighbors -- though we would caution against pushing analogies too far. It is curious to describe the re-election of an incumbent as a successful protest vote against the powers that be; nonetheless, that fairly accurately describes Mrs. Gandhi's electoral victory of March 1971. She had previously forced a split in the Congress Party, driving out most party leaders identified with conservative economic and social stands. Ruling for over a year with a minority government, she managed to push through (or make big issues of) such measures as bank nationalization, the end of the former maharajah's privy purses, new ceilings on land holdings, etc. Having acquired a widespread populist image, she called a snap election for March 1971, a year ahead of schedule.

11. Mrs. Gandhi won that and won big; her parliamentary majority is now as large and as secure as were her father's in his own lifetime. But so far she has done relatively little of a sweeping nature in terms of domestic reforms. In part this is not her fault; the Pakistani crisis erupted a few weeks after the election, and has necessarily been her principal preoccupation. Even so, the government, while coping with millions of Bengali refugees, has already managed to nationalize all the insurance companies in India and has announced plans to launch a massive rural public works scheme which will -- hopefully -- absorb at least some of the many underemployed tenants and farm laborers.

12. Overall, the economic and political picture in India is one that leads to a cautious semi-optimism. Agricultural output is up, thanks to better than average weather and heavy use of the new inputs of the so-called "green revolution" -- new seeds, extra fertilizer, new irrigation projects, etc. Wheat is now produced in bumper amounts, but rice -- the principal Indian food crop -- resists the efforts of agronomists and the country is still not self-sufficient in foodgrains. The country's balance of payments problems have improved

to a surprising extent, thanks chiefly to an unexpected rise in exports of manufactured goods; despite drops in foreign aid, hard currency reserves are at their highest levels since 1957.

13. There has been some industrial recovery. The economy would have enjoyed an even more impressive upsurge but for the lackluster performance of its large public sector steel plants which are operating at several million tons less than full capacity -- thanks to inept management, bad labor relations, and inadequate maintenance and quality controls. Indeed the bottleneck is so bad that India is now forced to import steel, despite its theoretical ability to manufacture enough to sell abroad.

14. But serious problems -- present and potential -- remain. A monsoon failure or an infestation of some new crop disease hitting the new strains (on the order of the present corn blight in the US) could rapidly bring India back to emergency food conditions. In addition India continues to be burdened with many of the problems which have had an impact in Ceylon and Pakistan. There is substantial educated unemployment. For example, tens of thousands of engineers are out of work, not to mention the run-of-the-mill humanities or political science majors. Communal hostility and periodic atrocities

against the 50 million or so Muslims in India continue; these are likely to increase as word spreads of the killings of large numbers of Hindus in East Pakistan.

15. India has also seen an increase in urban violence and unrest, at least in the city of Calcutta and in its surrounding countryside. Calcutta itself is developing a worldwide notoriety for the almost incredibly low quality of life it offers the bulk of its residents. Several hundred thousand of the latter live on the city's sidewalks; the established water and sewage facilities are breaking down; transport facilities are inadequate; the air is so fouled with industrial pollutants that tuberculosis is a real danger even to the city's affluent residents, and so on.

16. Not surprisingly, the state of West Bengal has developed a tradition of political extremism and violence which surpasses that of any other part of India. West Bengal's largest political party, though now in opposition, is the Communist Party Marxist (CPM), a group which broke off from the regular Communist Party of India in 1964 because of the latter's subservience to Moscow and its too strong an adherence to peaceful parliamentary methods. The CPM views participation in

elections, parliaments, etc., as but stepping stones towards a revolutionary takeover. Since 1967 the CPM has twice served as the dominant force in a leftist coalition.

17. Its performance was so disruptive to West Bengal's economy (one of India's principal industrial areas) that the central government dismissed it from office in both cases. The CPM gave fairly free rein to strikers; in particular it unofficially allowed the so-called "gherao" wherein workers would barricade an unhappy owner or manager in his office and permit him to leave only when he gave in to their demands. Further, the CPM forbad the police to take action against its party cadres who were taking over control of whole sections of the city -- frequently by murdering leading figures of opposition parties there.

18. But the CPM has had troubles; it has seen the defection of a fair number of its young extremists who think it is not revolutionary enough. These Maoists are generally referred to as "Naxalites" (after Naxalbari, an area in the northern part of the state which in 1967 saw an abortive peasant uprising by tribal aborigines) they are mostly young Bengali students and

ex-students. As with many young radicals, they belong to no cohesive disciplined organization. They believe in fomenting more peasant rebellions, but spend most of their time in Calcutta, where their self-proclaimed aim is to bring down the government by stopping its functioning. Assassination -- of professors, policemen, political leaders (particularly of the CPM) is a principal means of doing so. The Naxalites' most recent major effort was their attempt to prevent the March 1971 elections from being held at all. Thanks to the presence of some 75,000 regular army troops sent specially for the occasion, they failed.

19. The Naxalites may be symptomatic only of Bengali extremism and the unique problems of Calcutta rather than of India in general. They do not amount to much elsewhere (nor did the organized Communist parties register any gains in the recent elections). But we do not expect that protest of some sort is likely to subside in India. It is still a very poor country with many people, particularly in the cities, who feel they have been denied what is rightfully theirs. Mrs. Gandhi's five-year mandate for change will probably assure parliamentary stability and continuity, some reforms in the economic and social spheres, but no major resolution of the nation's many

problems. In such circumstances we expect that India will periodically experience manifestations of unrest, though probably more localized and less severe than those seen in Ceylon and Pakistan.